

**15th District Court Funds
City of Ann Arbor, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

15th District Court Funds
City of Ann Arbor, Michigan

TABLE OF CONTENTS

June 30, 2008

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Assets and Liabilities	2
Notes to Financial Statements	3-4
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Cash Receipts and Disbursements	5

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Honorable Judge Julie Creal
Chief Judge, 15th District Court
101 East Huron Street
Ann Arbor, Michigan 48107

We have audited the accompanying statement of assets and liabilities of the 15th District Court Funds (agency funds of the City of Ann Arbor, Michigan) as of June 30, 2008. This financial statement is the responsibility of the District Court's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statement presents only the 15th District Court Funds, and does not purport to, and does not, present fairly the financial position of the City of Ann Arbor, Michigan, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the 15th District Court Funds as of June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statement. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

The accompanying financial statement of the 15th District Court Funds does not present a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statement.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 22, 2008

BASIC FINANCIAL STATEMENTS

15th District Court Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2008

	Agency Funds		Total
	Depository	Bond, Restitution, and Trust	
ASSETS			
Cash	\$ 704,344	\$ 44,430	\$ 748,774
LIABILITIES			
Due to:			
State of Michigan	\$ 206,619	\$ -	\$ 206,619
County of Washtenaw	20,385	-	20,385
City of Ann Arbor	475,825	-	475,825
University of Michigan	1,515	-	1,515
Other			
Bonds, restitution, and trust	-	44,430	44,430
TOTAL LIABILITIES	\$ 704,344	\$ 44,430	\$ 748,774

15th District Court Funds
City of Ann Arbor, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the 15th District Court Funds (the "District Court") has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The District Court is governed by one elected judge. There are no component units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District Court's more significant accounting policies are described below.

1. Reporting Entity

The accompanying financial statement presents only the Agency Funds of the 15th District Court, and does not purport to, and does not, present fairly the financial position of the City of Ann Arbor, Michigan, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America, nor does it include other revenue sources attributable to the District Court's operations (i.e., judicial salary subsidy, juror reimbursements, drunk driving caseflow, and drug caseflow reimbursements). The receipts and disbursements of the Agency Funds of the District Court are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities.

2. Basis of Presentation

The funds of the 15th District Court are Agency Funds. The financial activities of the funds are limited to fine and fee collections that are transferred to the applicable agencies (City of Ann Arbor, State of Michigan, County of Washtenaw, University of Michigan) when processed and bonds and restitution collections that are subsequently returned or paid to third parties by the District Court. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

The operations of the District Court are included as a separate activity in the General Fund of the City of Ann Arbor. The District Court is an agency fund of the City of Ann Arbor and is included in the basic financial statements of the City as of and for the year ended June 30, 2008.

3. Cash

The District Court Funds' cash consists of cash on hand and checking accounts, with balances totaling \$748,774 at June 30, 2008.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the District Court is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

15th District Court Funds
City of Ann Arbor, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. As of June 30, 2008, the carrying amount of the District Court's deposits was \$748,774 and the bank balances totaled \$852,548. As of June 30, 2008, the bank accounts were insured by the FDIC for \$100,000 and the amount of \$752,548 was uninsured and uncollateralized.

OTHER SUPPLEMENTARY INFORMATION

15th District Court Funds

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
ASSETS				
Cash	<u>\$ 424,865</u>	<u>\$4,818,653</u>	<u>\$4,494,744</u>	<u>\$ 748,774</u>
LIABILITIES				
Due to:				
State of Michigan				
Civil filing fee fund	\$ 14,245	\$ 163,289	\$ 149,674	\$ 27,860
State court fund - Civil	1,070	14,040	12,570	2,540
Justice system fund	86,783	938,503	871,126	154,160
Juror comp - Civil jury demand fee	10	320	270	60
Juror comp - Secretary of State	3,330	36,405	32,745	6,990
Crime victim	4,157	43,409	39,547	8,019
Recovery fees	-0-	200	200	-0-
Secretary of State fees	<u>3,330</u>	<u>36,404</u>	<u>32,744</u>	<u>6,990</u>
Total due to State of Michigan	112,925	1,232,570	1,138,876	206,619
County of Washtenaw				
Statute fines	6,198	128,672	114,485	20,385
City of Ann Arbor				
City fines and costs	46,435	600,496	555,297	91,634
Crime victim	415	4,812	4,336	891
Ordinance fines and costs	171,232	1,903,569	1,775,599	299,202
Recovery and other fees	1,140	14,740	13,985	1,895
Court filing fees - Civil	7,260	86,531	79,006	14,785
Jury demand fees	40	1,280	1,080	240
Writ fees	3,360	56,280	54,105	5,535
Attorney fee	300	1,600	1,800	100
Public safety fees	19,673	228,670	211,980	36,363
Probation oversight fees	11,910	146,479	134,395	23,994
Interest	<u>440</u>	<u>6,752</u>	<u>6,006</u>	<u>1,186</u>
Total due to City of Ann Arbor	262,205	3,051,209	2,837,589	475,825
University of Michigan				
Regents ordinance fines and costs	69	7,432	7,036	465
Recovery fees - U of M	500	3,285	2,785	1,000
Public safety	<u>(33)</u>	<u>858</u>	<u>775</u>	<u>50</u>
Total due to University of Michigan	536	11,575	10,596	1,515
Other				
Bond funds	28,331	216,953	216,149	29,135
Trust funds	14,220	171,362	171,113	14,469
Overpayments/Refunds	<u>450</u>	<u>6,312</u>	<u>5,936</u>	<u>826</u>
Total other	<u>43,001</u>	<u>394,627</u>	<u>393,198</u>	<u>44,430</u>
TOTAL LIABILITIES	<u>\$ 424,865</u>	<u>\$4,818,653</u>	<u>\$4,494,744</u>	<u>\$ 748,774</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

Honorable Judge Julie Creal
Chief Judge, 15th District Court
Ann Arbor, Michigan

We have audited the statement of assets and liabilities of the 15th District Court Funds (agency funds of the City of Ann Arbor, Michigan) as of and for the year ended June 30, 2008 and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 15th District Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly we do not express an opinion on the effectiveness of the Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

SEGREGATION OF DUTIES

During our consideration of the Court's internal controls and our assessment of fraud risk, we noted that the Court does not have adequate separation of duties present in some areas. Employees who open the mail, receipt revenues, and balance daily revenues to the accounting records also have the capability to make adjustments to revenue records, generate court checks, and modify court orders in the automated system. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While this is a common occurrence in district courts due to the limited number of employees, the Court should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated. A similar issue was noted and reported in our prior year audit comments.

We recommend that the Court review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we recommend the Court provide greater review and supervision of employee functions and procedures.

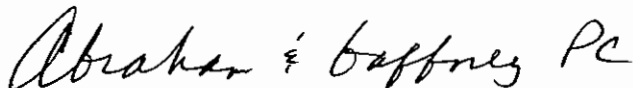
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under applicable auditing or financial reporting standards.

This report is intended solely for the information and use of management of the City of Ann Arbor and 15th District Court, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

October 22, 2008